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DRUG STORE NEWS®

SECOND CLASS

Vol. 11/No. 14 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. July 24, 1989

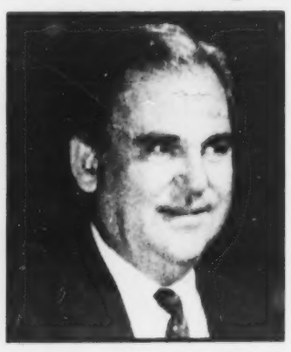
NACDS Marketplace hits high notes in the heartland

By Al Heller

NASHVILLE — NACDS struck responsive chords with the 1,642 attending its Third Annual Marketplace Conference here at Opryland, the heartland of country music.

This mid-year event is climbing the popularity charts because of a favorable four-to-one vendor-to-retailer ratio, high levels of supplier and drug chain involvement and broadened category exposure. But the Marketplace Committee, which saw 305 retailers from 87 drug chains swoop into the Southeast last month to explore business opportunities with 1,300-plus vendor executives, is planning carefully to minimimize growing pains of its fledgling event.

Heller



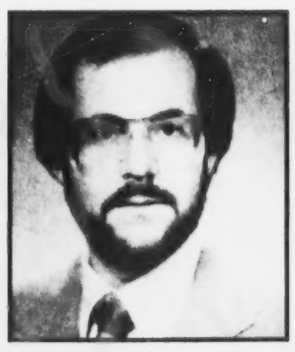
Ziegler

Gerald Heller, ceo of May's Drug Stores and NACDS chairman, told *Drug Store News* he thought perhaps five hotels in the U.S. could handle Marketplace as it has grown, and the Committee's sentiment is not to go into a convention center in 1991 for fear of dilution. The 1990 Marketplace is set for Loew's Anatole in Dallas, June 17-20.

Harvey Greene, senior buyer at Revco and a committee member, said he would sug-

See **NACDS** *page 24*

Grass



Montini

Dalton

R. Grass names team for new chain born of Peoples purchase

By Susan Ball

INDIANAPOLIS — Roger Grass, who with another former Rite Aid executive and Acadia Partners L.P. entered a definitive agreement recently to buy Peoples Drug Stores' 120 former Haag Drug units in the Midwest, announced the new drug store chain's key management lineup.

In addition to Grass, who will be president, the team includes:

- Charles C. Conaway, executive vp, who joined Grass and Acadia in the venture and who was formerly director of third-party programs at Rite Aid.
- Carl Cain, senior vp-retail store operations, formerly Rite Aid regional vp-store operations.
- Tony Montini, senior vp-purchasing and merchandising, formerly vp-purchasing and administration at Rite Aid.
- David L. Dalton, senior vp-pharmacy operations, former Rite Aid vp-professional relations.
- John Foster, senior vp-administration and distribution, formerly with Rite Aid.

The new management team is setting up operations at Peoples' 250,000-square-foot office and warehouse facility on Indianapolis's Airport Expressway.

Others named to management posts include Bill Masters, vp-MIS; Hershel Workman, vp-accounting and controller; and Henry Kowalczyk, vp-security. Masters was an executive with Begley Co.'s dry-cleaning operations, which Rite Aid acquired along with the Kentucky chain's drug stores last year. Workman was also formerly with Begley, and Kowalczyk, who most recently was vp-security at Odd Lot Trading, was previously employed by Rite Aid.

Although many members of management previously worked for Rite Aid, spokesmen at both companies said

See **Grass** *page 125*

Schiff succeeds Hart as Pay Less ceo; exec. vp McAlear named to COO post

By Pamela Meek

WILSONVILLE, Ore. — As anticipated, Pay Less NW president Ron Schiff has been named chief executive officer, replacing Ed Hart, who retired from the chain in June. At the same time, Pay Less executive vice president Tim McAlear has been named chief operations officer.

Schiff takes over a company that has been both well run and managed by Hart for 20 years. Hart, 65, started with Pay Less some 40 years ago and became ceo in 1969. Hart was also Pay Less' chairman, a position that will not be replaced since most of parent K mart's subsidiaries do not have chairmanship titles.

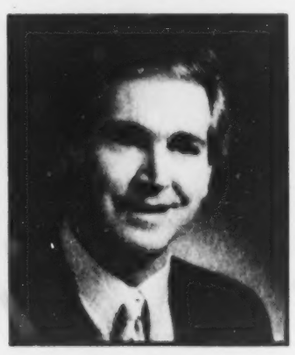
While Schiff takes on a great legacy, he too has spent considerable time with 276-store Pay Less, and in recent years he had been groomed to take over Hart's slot. Schiff started with Pay Less in 1958 as a pharmacy intern and later joined the chain full time upon graduation in 1960. After staying at store-level until 1972, Schiff was named vp-merchandising. He was then named vp-operations in 1980, was promoted to executive vp in 1985 and then became president and chief operations officer in 1986.

Because of the many years under Hart's leadership, and their personality similarities, Schiff told *Drug Store News* "no major changes are going to occur. Ed Hart and I are very much alike."

Schiff said the key strength he brings to the job is that "I can get people to do really well for themselves and for the company." During the past two-and-a-half years, Schiff said he has rid the chain of many operating policies in or-

See **Schiff** *page 125*

Schiff



McAlear

LATE NEWS

- DEERFIELD, Ill. — Walgreen Co. net earnings advanced 25 percent and net sales gained 11.1 percent for the third quarter ended May 31. Net earnings increased to $38.5 million, from $30.8 million, on net sales of $1.4 billion, up from $1.2 billion.
- MONTREAL — Imasco Ltd. stock shot up July 11 after European investor Sir James Goldsmith made a $21.2 billion bid for B.A.T. Industries PLC, which owns 40.4 percent of Imasco. Imasco owns Shoppers Drug Mart and Peoples Drug.
- ST. LOUIS — Industry sources expect Wal-Mart, K mart, Dayton Hudson and at least one management group to bid for the 120-store Caldor and 73-store Venture discount chains being auctioned by May Department Stores.
- PONTIAC, Mich. — Perry Drug Stores said it is "re-examining (its) position in the Milwaukee market" after agreeing to sell 3 of its 10 stores in southeastern Wisconsin to Walgreens.

Affil./Assoc show will blow into Chicago

By David Vaczek

NEW YORK — Take New York. . . please.

That was the reaction from retailers and vendors who are applauding Affiliated/Associated Drug Stores' announcement that the 1990 spring buying show will be in Chicago.

The move is stunning, since this will be the first time in all its years that Affiliated/Associated or its separate predecessor organizations has held a buying show outside the Big Apple. The spring exhibition will be March 30 to April 4 at the Chicago Hilton and Towers.

Hosting at least one of the buying group's two buying shows elsewhere has been discussed for some time, president Phil Weinstein told *Drug Store News*. Affiliated members have felt that a heartland-based show would attract new regional vendors, and relieve the strain New York City places on members' pocketbooks and nerves.

"New York is a very uncomfortable place. For 22 years I've been going to the Associated and Affiliated meetings and I have always dreaded it," said David Marks, president of D.M. Merchandising, the Chicago-based promotional jewelry company. He said members attending the spring show in Chicago will be pleasantly surprised to find rooms for about $90 near the downtown.

Central location needed

Chicago is "more centrally-located, and New York is a hassle. I've been suggesting this for the last 10 years," said Mel Rosenthal, president of M.R.G. & Associates, of South Barrington, Ill., a maker of music products, sunglasses and promotional

See **Affil./Assoc.** *page 125*

NEWS IN BRIEF

Strike forces Pay Less Tacoma to close

TACOMA, Wash. — After a year-long unresolved labor dispute crippled its business, one-time five-store operator Pay Less based here has ceased operation.

The chain's retail clerks went on strike in June of 1988 and continued to picket the company until the last Pay Less store closed. Pay Less closed one store in April, then sold the lease and script files of another store to Pay Less NW in late May. The remaining three stores were liquidated and then closed in May and June.

McK realigns Ark., Okla. distribution

SAN FRANCISCO — McKesson recently closed its Ft. Smith, Ark., distribution center. Stores previously serviced by this facility are now serviced through the company's new 204,500 square-foot warehouse in Oklahoma City, Okla.

This new DC delivers to McKesson customers throughout Oklahoma, as well as in northern and northwestern Arkansas. It is equipped with advanced picking and product-transfer equipment.

Jones gets new position at Hook-SupeRx

INDIANAPOLIS — Michael H. Jones was recently named vp-warehousing and distribution for Hook-SupeRx Inc. (HSI), a new, corporate-level position.

Larry Spetter succeeds Jones as director of warehousing and distribution for the Hook Drugs division. Henry Diprette remains director of warehousing and distribution at Brooks.

The new corporate position is a "logical extension" of HSI's policy to develop a coordinated plan of warehousing and distribution for all three divisions of HSI, which include the Hook, SupeRx, and Brooks divisions, said Raymond W. Rizzo, HSI secretary.

Hook Drugs operates a warehouse at HSI headquarters here, and Brooks operates two warehouses in Pawtucket, R.I. SupeRx does not operate a warehouse, but buys through a division of Kroger.

Price-Rite closes its doors

SACRAMENTO — H&BA warehouse club Price-Rite has apparently gone out of business. According to a report in the *Sacramento Bee*, the one-store operator that combined a deep discount drug store approach with the membership warehouse club format closed its doors late last month. Company founders were unavailable for comment.

Aitchison named prez of Alco subsidiary

CHESTER, Pa. — Robert L. Aitchison, formerly vp-marketing for Alco Health Services, has been named president of Rita-Ann Distributors, a wholly-owned subsidiary of Alco that specializes in cosmetics and fragrances. He succeeds Richard Packel, who will remain active as a consultant. Aitchison's former position has not been filled yet.

Rita-Ann Distributors primarily serves independents and small regional chains east of Missouri. Aitchison said his main objectives will be to "grow this business within our markets and agressively go after new markets."

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Hoven pledges strong Rx, in-stock efforts at Revco

TWINSBURG, Ohio — Former senior vp-distribution Dwayne Hoven reaffirmed Revco's commitment to a strong pharmacy franchise, improved customer service and a strong in-stock position after taking the reins as the head of store operations last month.

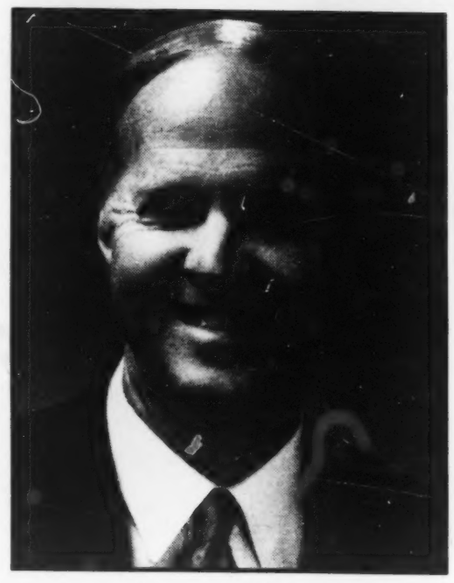
Hoven, 47, succeeded Carl Bellini as executive vp-stores in mid-June after serving as head of distribution since joining Revco in January 1988. He has worked as executive vp-operations for TG&Y Store Co. and chief operations officer of Sav-A-Stop.

Hoven now has complete responsibility for all aspects of store and pharmacy operations and loss prevention, and will report directly to chairman and ceo Boake Sells.

Replacing Hoven as head of distribution is William Seltzer, who has been promoted to senior vp-distribution and systems. Seltzer, 50, will continue to head up the development, implementation and maintenance of all MIS and data processing systems for the chain.

In a letter to all Revco employees following the announcement, Hoven said he would build on the "careful strategic plans" already laid down by Revco's managers to turn the huge drug chain around.

"There are three things that we must continue to do well," Hoven noted. "Emphasize the pharmacy; implement 'Every Customer, Every Time,' (Revco's customer service program); and maintain our strong in-stock position."



Dwayne Hoven

Pharmacy, he noted, remains the key to Revco's turnaround. "Every action we take, every dollar we invest, comes from our belief that in the pharmacy lies our future. That is what will make Revco strong again. I will never take any action that would deviate us from that course."

Customer service would also see "a great deal of emphasis," Hoven promised, as would the constant improvement of Revco's in-stock situation.

"We've made great strides in improving our in-stock position," he noted. "It's not perfect yet, but it's a lot better now than it was. . . We must do even better."

Hoven, who praised Bellini for setting store operations "absolutely on the right track," indicated that he would pursue a steady course rather that implement new, wholesale changes in store operations.

"Will I do some things my own way? Of course, who wouldn't? However, you'll find I'm not someone who's going to rearrange all the deck chairs," Hoven wrote.

Revco to near the 500-store mark in scanner installation program

TWINSBURG, Ohio — Revco D.S. has begun equipping another 400 drug stores with POS scanning systems in a year-long project. The systems will be used to streamline checkout service and store accounting, cut missrings and paperwork, automate price changes, improve inventory control and merchandising, track product movement, and "respond better to customer wishes," according to executive vp-marketing Jim Adamson.

The systems are based on IBM 4680 equipment, with Telxon 750 inventory control systems and software developed by Revco. The chain launched its scanning test last fall, and already has scanners in 80 units.

"Revco has gathered people with a great deal of systems experience, probably more than any other drug store chain," said Bill Seltzer, senior vice president-distribution and systems. "We are on our way to creating systems that will help Revco lead in the industry."

Shulton reaches $4M settlement in diversion case against 4 firms

By James Frederick

WAYNE, N.J. — American Cyanamid Co.'s Shulton Group has reached a $4 million settlement with four supplier companies it charged with illegally obtaining and diverting Shulton products intended for export.

The voluntary payments by the four companies—Moore Medical Corp., Interstate Cigar Co., Quality King Distributors and Tereza Merchandising Corp.—close the books on a court battle that began in 1985.

In its original lawsuit, Shulton charged the four firms under the Racketeer Influenced and Corrupt Organizations Act (RICO) with a range of deceptive practices allegedly used to obtain and deal in gray-market merchandise in 1981 and 1982. Those practices cost Shulton $5 million in lost revenues, according to the charges.

In a statement, Shulton alleged that the firms "used 'front' companies, fake shipping documents, deceptive letters of credit and other unlawful acts to obtain and divert Shulton merchandise sold for export."

Prohibitions instituted

In addition to the $4 million in total payments, the four defendants are also prohibited from dealing in American Cyanamid products obtained through fraud or other illegal means. A court order by Judge Nicholas Politan of the U.S. District Court in Newark also prohibits Moore Medical and Teraza from dealing in any of the Cyanamid's products without its written consent.

As part of the negotiated settlement, Interstate Cigar and Quality King are also restricted from dealing in any Cyanamid merchandise intended for export or made overseas and not intended for U.S. distribution.

No guilt or liability admitted

In agreeing to the terms of the settlement, none of the four companies admit any guilt or liability. Said Sherman Saiger, legal counsel for Interstate Cigar, "It was cheaper for us to settle than to try the case. We don't think a jury would have judged against us.

"They went after the companies with the deepest pockets," he added. "What they're doing is trying to close down the promotional wholesalers, the secondary markets for their goods, so they can sell everything direct at a higher profit."

Adding "We didn't buy the goods directly from Shulton, we bought them from another wholesaler two or three steps removed," Saiger said "We don't expect [the settlement] to have any impact on the way we do business whatever."

"We've never admitted any wrongdoing or liability," added Jerald Rome, president of Moore Medical. "[Shulton] had accused a supplier of diverting their merchandise, and we purchased products having no knowledge of this. Because of the RICO statute, we agreed to settle to avoid the possibility of being hit with triple damages." *(Editor's note:* Under RICO provisions, juries may award plaintiffs

Continued on page 125

SPECIAL SAMI REPORT

Criteria selection shows category strengths

Ranking drug store products by different criteria can sometimes produce extremely varied results.

As an example, internal analgesics account for more retail dollars than any other category tracked by SAMI in drug stores ($814.9 million as of the year ended May 19, 1989), but the category ranks fourth in sales per brand and tenth in drug store sales per item.

The category with the highest sales rate per item on a national basis through drug stores is home testing kits, which had 52-week volume of $76.1 million, ranking the category 45th in annual sales. That was generated by only 35 items. Annual volume of dry cell batteries through drug stores amounted to $343.9 million, or No. 7 among all categories; because there are only 15 brands competing in one or more markets, the "average" brand enjoyed sales of $22.9 million.

The shampoo category had the largest number of competing brands, 277 sold through drug stores, followed closely by hair conditioning rinses, at 243. The primary reason for their parallel high brand counts: manufacturers often introduce shampoos and hair conditioners simultaneously, or within a brief time period. Hand and body cream-lotions ranks third in brand offerings at 182.

Other categories with high brand counts: chocolate candy bars and non-chocolate candy bars, each, coincidentally, with a total of 172 different brands for sale. Also, two categories of proprietary remedies: synthetic vitamins (161) and cough remedies (149). First aid antiseptics had 139 different brands. Consumers nationwide also could choose from 152 different brands of hair dressing needs, including hair grooms for men, unisex items and ethnic preparations.

PRODUCT TRACKING
ALAN MILLER

The category with the largest number of individual items in drug stores was natural vitamins, minerals and supplements with 1,956. In comparison, one can find 1,525 different shampoo items in one or more drug stores in the Arbitron/SAMI roster of 54 major markets; hair conditioning rinses (1,134) were close to shampoos. Other categories with high numbers of items: synthetic vitamins (1,251), hand and body cream/lotions (999), chocolate candy bars (928), hair dressing needs (853), and cold remedies (849). Also, internal analgesics (949), facial preparations (884) and cold remedies (849).

In the compilation of categories with the highest average sales per brand, tampons rank second to dry cell batteries in average sales per brand, $14.4 million. The "average" brand of disposable baby diapers had annual drug store sales of $10.1 million. Two food categories appear on this list, measured diet meals ($6.5 million) and formula baby food (6.3 million). Eye care products enjoy a high sales rate both on a brand and item basis, as do home testing kits, internal analgesics, tampons and diapers. Contraceptives, with an annual average sales rate of $860,000 per item, rank ninth in this list and packaged candy/non-chocolate candies occupy the sixth spot, behind chest rubs, where the average item accounts for $1.3 million.

These are some of the highlights of this special study prepared for *Drug Store News* by Arbitron/SAMI. Readers wishing to access more detailed information are invited to contact Warren Spence, vp H&BA marketing, Arbitron/SAMI, 55 Greens Farms Road, Westport, Conn. 06880.

Product categories with highest annual sales per item in drug stores

(All 54 SAMI markets combined, year ending 5/19/89; retail sales in millions of $)

Home testing kits	$2.2
Formula baby food	1.6
Measured diet meals	1.4
Disposable baby diapers	1.3
Chest rubs	1.3
Packaged candy cov. choc.	1.1
Tampons	1.0
Eye care products	1.0
Contraceptives	0.9
Internal analgesics	0.9

Source: Arbitron/SAMI

Product categories with highest number of brands in drug stores

(All 54 SAMI markets combined, year ending 5/19/89; number of different brands in category)

Shampoo	277
Hair conditioning rinses	243
Hand & body creams/lotions	182
Chocolate candy bars	172
Non-chocolate candy bars	172
Cosmetic & medicated skin aids	163
Synthetic vitamins	161
Hair dressing needs	152
Cough remedies	149
First aid antiseptics	139

Source: Arbitron/SAMI

Product categories with highest number of items in drug stores

(All 54 SAMI markets combined, year ending 5/19/89; number of different items in category)

Natural vitamins, mineral, supplements	1,956
Shampoo	1,525
Synthetic vitamins	1,251
Hair conditioning rinses	1,134
Hand & body cream/lotions	999
Internal analgesics	949
Chocolate candy bars	928
Facial preparations	884
Hair dressing needs	853
Cold remedies	849

Source: Arbitron/SAMI

Product categories with highest annual sales per brand in drug stores

(All 54 SAMI markets combined, year ending 5/19/89; retail sales in millions of $)

Dry cell batteries	$22.9
Tampons	14.4
Disposable baby diapers	10.1
Internal analgesics	7.3
Eye care products	7.0
Measured diet meals	6.5
Sanitary napkins	6.5
Formula baby food	6.3
Home testing kits	5.9
Cold remedies	5.7

Source: Arbitron/SAMI

Sam's Wholesale Clubs lead Wal-Mart northward

BENTONVILLE, Ark. — In a move that could be a precursor to Wal-Mart expansion in the Northeast, the fast-growing discounter announced it will build at least 18 Sam's Wholesale Clubs in the new region.

They will open in New York, Pennsylvania, New Jersey, New Hampshire, Delaware and Maine by February 1991. These are all new markets for the retailer, a company spokesperson said.

Discount store industry observers expect that Wal-Mart stores will soon follow Sam's in its Northern push. That could have significant impact on drug stores, given Wal-Mart's aggressive H&BA merchandising and commitment to pharmacy growth.

While Wal-Mart stores are traditionally located in rural areas, Sam's Wholesale Clubs, which rely heavily on business members, are set in metro areas.

A lot of Sam's merchandise is in industry or case sizes and packs suitable for businesses. The warehouses are not unlike deep discount drug stores in that they emphasize limited assortments, a low margin structure, and high sales volume.

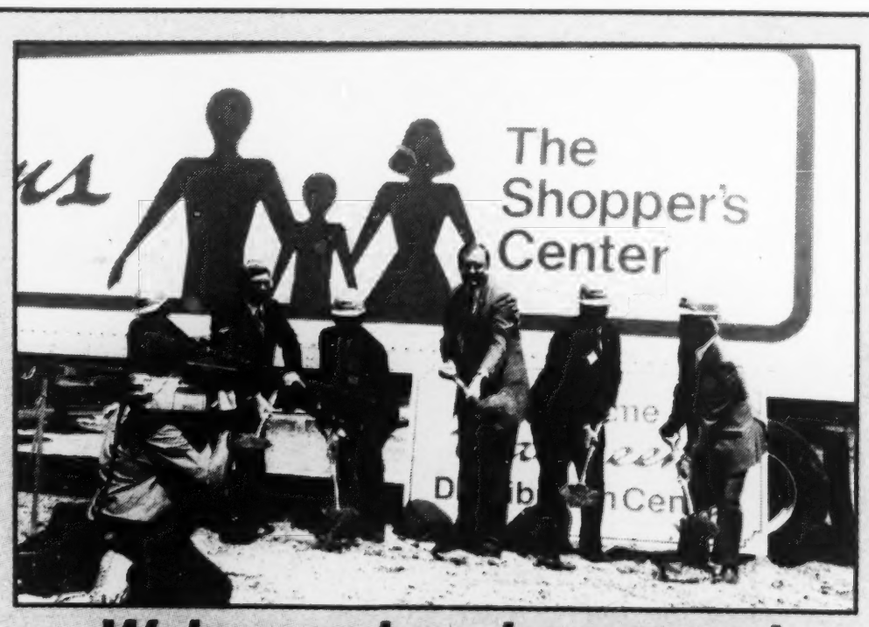
Besides a club's business members, consumers can become group members through organizations such as credit unions and government agencies. Group members typically pay 5 percent above wholesale for club merchandise which can include health and beauty aids, housewares, consumer electronics, office products, clothing, food and automotive items.

New York and Pennsylvania are receiving the most Sam's. Seven Sam's, averaging 106,000 square feet, will open in Pennsylvania in Allentown, Harrisburg, Lancaster, Johnson, Reading, York and Wilkes-Barre.

Six will open in New York in Albany, Rochester, Syracuse, Utica, Poughkeepsie, and Binghamton.

Also two warehouse clubs will open in New Jersey in Atlantic City and Delran Township, and one each in Portsmouth, N.H., Portland, Maine, and Wilmington, Del.

There are currently 105 Sam's stores in 21 Southern states.



Walgreen breaks ground for new $40 million DC

Walgreen Co. recently broke ground for a $40 million distribution center in Mount Vernon, Ill. On hand for the groundbreaking ceremony were: (from left to right) Thomas L. Wimberly, Illinois Department of Commerce and Community Affairs; Jerome Cosentino, Illinois state treasurer; Fred F. Canning, president of Walgreens; James R. Thompson, Illinois' governor; Charles R. Walgreen III, chairman of Walgreens; and Rolland W. Lewis, Mount Vernon's mayor.

BEAUTY TRENDS

Investing dollars in hosiery paying off for chains

Innovative packaging, programs, and promotions planned to boost sales

More than 85 percent of chain drug executives who responded to *Drug Store News'* General Merchandise Round-Up (see *DrSN* June 26), said the hosiery category is very important in their stores. And, more than 38 percent of them said they'll invest space, time and dollars in this category over the next two years.

Some drug chains have already made changes in their hosiery presentations to get category sales off and running. These changes include adding new programs to their hosiery mix, changing private label hosiery packaging, promoting the category continuously, and incorporating new hosiery fixtures.

This is no surprise, since the retailers polled in the survey said in-store presentations, and, to a lesser degree, heavy manufacturer advertising and sharp pricing, contributed most to hosiery category sales.

Women last year spent $1,758,337,000 on pantyhose in all retail outlets, and in drug stores they spent $131,016,000, according to MRCA Information Services, Stamford, Conn.

Women bought 905,297,000 pairs of pantyhose last year; of that, women drug store shoppers purchased 79,238,000 pairs.

Sales trends in the hosiery industry overall have shown peaks and valleys since 1983. Volume increased in 1987 due to heavy promotional activity, and a return to more normal promotional activity in 1988 brought volume back down.

Still, drug chains see hosiery as a core general merchandise category. Drug store retailers are realizing that department store brands and styles are continuously making an impact on the fashion sense of the drug store customer. By offering a broader hosiery assortment and promoting the category aggressively, drug chains told *Drug Store News* that hosiery sales can increase.

Pam Nyberg, Perry Drugs' H&BAs buyer, said the Michigan-based chain has seen increased sales in the hosiery catgeory, even though the hosiery industry posted flat sales overall for the past few years. "We recently remodeled our stores, and we also introduced the Sheer Indulgence line into our mix nine months ago," she said.

Nyberg said that even though she'll have to wait another six months for accurate Sheer Indulgence sales figures, she believes women even now are trying this brand with manufacturer coupons, which have helped move the product.

Justo Nunez, vp marketing for No Nonsense, said the in-

Continued on page 69

Drug chains are improving their in-store hosiery presentations to compete against combos such as Albertson's shown here. Buyers reported in *Drug Store News'* general merchandise round-up survey that well organized sections contribute most heavily to sales growth in this category.

By offering a broader hosiery assortment and promoting the category aggressively, drug chains told Drug Store News that hosiery sales can increase.

Chain hosiery buyers spin fashion story

Chain drug hosiery/soft goods buyers must constantly keep up with new fashion trends, and stay on top of the latest styles in this category.

Fred Topp, floor supervisor for clothing at Drug Fair NW in Montana, reported that L'eggs and Fruit of the Loom women's knee highs are selling well in the Kalispell store, the only store in the 6-store chain that sells apparel and soft goods.

"L'eggs always sends shippers that offer a new style or a new color scheme that appeals to our women shoppers," Topp said.

During the fall and winter months, Topp said this store expands its men's hosiery space, adding another 20 feet to its normal 15-foot men's hosiery section, to accommodate for wool and wool blend products. "We know men in this area—loggers and mill workers—look for these products at this time," he said.

On the West Coast, Liz Spera, H&BAs buyer for Bill's Drugs, said she's seen a lot of hosiery with pearl, rhinestone and sequin accents. Stockings with seams up the back are making a comeback among women going for a sophisticated look.

In and around the Virginia area, Mary St. Ledger, fashion/hair accessories buyer for Peoples, said that dot motifs and ultrasheers like L'eggs Silken Mist continue to be popular at her stores.

David Hauber, director of marketing services for L'eggs, said that even though the Silken Mist shades like dove grey and off black are called fashion colors, they are really becoming part of the basic color line.

Kathleen O'Sullivan, associate cosmetics buyer for Austin Drugs, noticed that dots and ivory hosiery sold strong this summer at the nine-store chain. She is eager to see what new trends will emerge at Austin with the addition of a department store line, Berkshire, and Sheer Indulgence, by Kayser-Roth, slated for September.

Justo Nunez, vp-marketing of No Nonsense, has noticed women are moving to a greater use of the higher priced Lycra pantyhose. "More working women are trading up to pantyhose with Lycra, which gives them a feeling of compression, which they prefer," he said. Women are also trading up in price, with Lycra hose often costing $1.00 to $1.50 more than those without Lycra.

In addition to the Sheer Indulgence line, this year No Nonsense is focusing on its Soft Sock line. Nunez said the new program was rolled out in the second half of 1988. The program used to be a seasonal offering, but now No Nonsense sells them year-round. A children's sock line has been added to the program, as has new 2- to 4-foot rack fixtures. "When they are merchandised next to hosiery, with similar signage as our hosiery line, sock sales can jump off hosiery," Nunez said.

Vereen ad tracking data:
Hosiery items' advertised prices

Brand	Sale price	Chain
Burlington Sheer Indulgence	30% off	Eckerd
Burlington Sheer Indulgence	25% off	Treasury
L'eggs Control Top	$1.58	Marc's
L'eggs Control Top Reg/Queen	2.00	Walgreens
L'eggs Control Top 2 pk	1.59	Medic Discount
L'eggs Sheer Energy 2 pk	4.99	Osco
L'eggs Sheer Energy	2.79	Eckerd
L'eggs Sheer Energy	2.49	Pay Less
L'eggs Regular	.99	Taylor
L'eggs Regular	1.89	Standard
L'eggs Regular & Queen	1.00	Walgreens
L'eggs Regular 2 pk	1.99	Sav-on
L'eggs Coloralls	2/3.00	Revco
L'eggs Coloralls	1.50	Snyder
No Nonsense assorted	1.29	Fantle's
No Nonsense assorted	1.59	Drug Emporium
No Nonsense assorted	2/3.00	Kerr
No Nonsense assorted	.99	SupeRx
No Nonsense Sheer & Silky	2.59	Revco
No Nonsense Summer Sense	1.49	Walgreens
No Nonsense assorted	50% off	Pay 'n Save

Source: Vereen & Associates, Inc. April 1989 ad activity

Drug stores' share of hosiery market grows fastest

	1988	1987
Discount/variety	32.3%	31.8%
Food	20.7	20.9
Drug	12.8	11.5
All other outlets	34.2	35.8

Source: L'eggs Blue Book of the Hosiery Industry 1983-1988

Growth Segments in Beverages: Bottled Waters & Fruit Flavored Juices

Elizabeth Parks

The beverage category is relatively flat right now, but buyers and beverage industry experts report that there is one very strong growth segment: bottled waters.

According to *Impact*, which tracks annual beverage sales and consumption trends, the bottled water category is growing dramatically from its relatively small base.

Last year, sales were up 12.5% to $900,000 while consumption was up 11% to 1.1 billion gallons.

Since gains in bottled water consumption are coming at the expense of tap water and other packaged beverages, some buyers think the nation's fear of possible health hazards from contaminated water or sugary drinks may be fueling this category's growth.

In some areas of the country, buyers report that regular tap water is "horrible to drink;" they say customers are turning to gallon jugs as more palatable alternatives.

Impact, in its findings, also confirms that the public is drinking less tap water these days. Consumption has dropped from 11.2 billion gallons in 1975 to just 10.2 billion gallons annually, it said.

The No. 1 brand in bottled waters remains Perrier with a 25% share, and buyers who stock Perrier report good movements; at Eckerd Drug, for example, Perrier is the best-selling sparkling water. Bottled water sales also vary dramatically by region, in Florida, for instance, the Zephyr Hills brand sells best while in Texas, the local preference is for Ozarka.

Tea and coffee sales may be down again, according to *Impact*, but herbal and gourmet teas are doing better than the overall category. Buyers report that two good-selling brands are Celestial Seasonings and Oriental Treasures.

In the coffee segment, instant coffee consumption is down about 10% from last year, but consumption of regular coffee is up 5%.

Decaffeinated coffee is also more popular than caffeinated coffee. Last year, caffeinated consumption was down 1.1%, but decaffeinated consumption, as measured in millions of gallons, was up 3.5%, according to *Impact*.

The fruit juice/fruit-flavored drink category is another strong growth segment within beverages. Sales in this segment were up 3.4% to $11.6 billion last year, says Impact. The fruit-flavored drink segment is outpacing the category as a whole, with consumption last year up 3.8%. Fruit juices, on the other hand, were down 0.6%.

The leaders in the fruit-flavored drink segment are Five Alive, Hi-C, Tang, Hawaiian Punch and Gatorade, a thirst quencher. Last year's new Sun Dance is also in this segment.

Impact says the isotonic category of fruit drinks, which is more than 93%-owned by Gatorade, is showing particularly strong growth. The category that includes Gatorade was up 7.6% last year.

For months now, *FM* has been reporting that Gatorade is the hottest-selling grocery items in nonfood stores, and at presstime, buyers were still saying the brand was hot and the trend to putting single serve sizes into in-store coolers is escalating.

The same thing is happening with single-serve sizes of juice, particularly the VeryFine brand.

From the merchandising changes that *FM* is seeing, it is apparent that certain beverages, particularly juices, Gatorade and bottled waters are slowly becoming everyday staples in drug and discount stores, just as candy and snacks did several years ago.

They may have started as seasonal in-and-out promotions, but now they are becoming indispensable parts of a nonfood store's traditional mix.

FM

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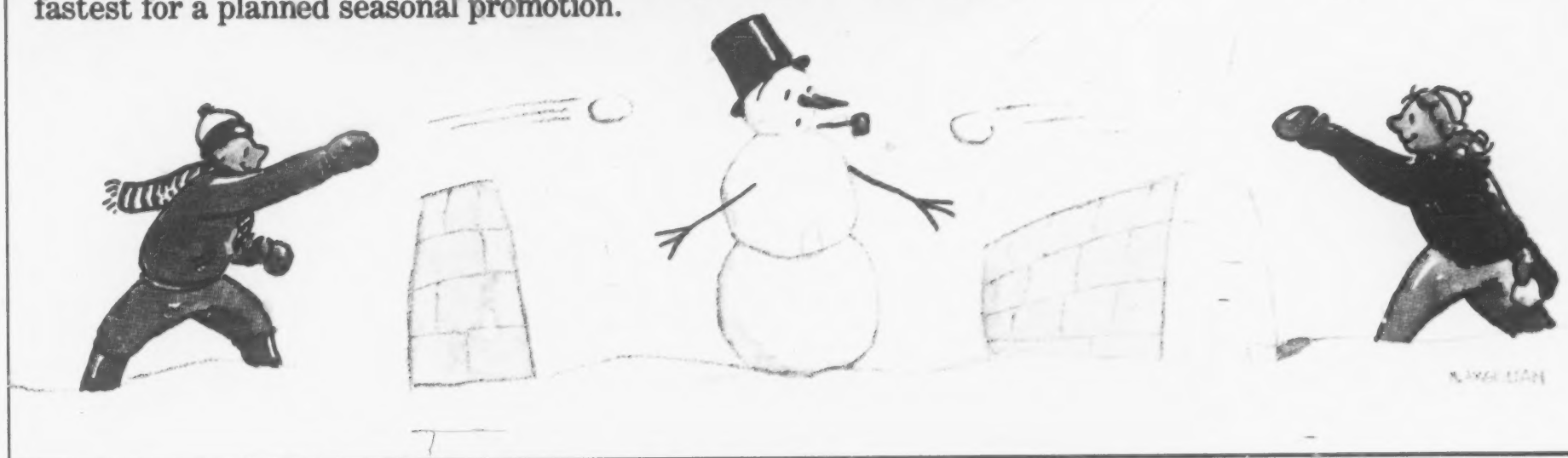
Best Selling Categories Of Winter

The chart below lists the best selling categories in food stores for the months of December, January and February.

The rankings are based on a special SAMI study tracking seasonal sales trends by category. Categories that make the list must have a base index of at least 110 for the three years ended in Dec., 1987 and January and February, 1988.

Knowing the index and the categories that rank the highest on it makes it easier for food, snack and household supply buyers in drug and mass merchandise stores to identify the categories that will turn the fastest for a planned seasonal promotion.



Foods and Groceries: Best Sellers Of Winter

(Average three year index ranking)

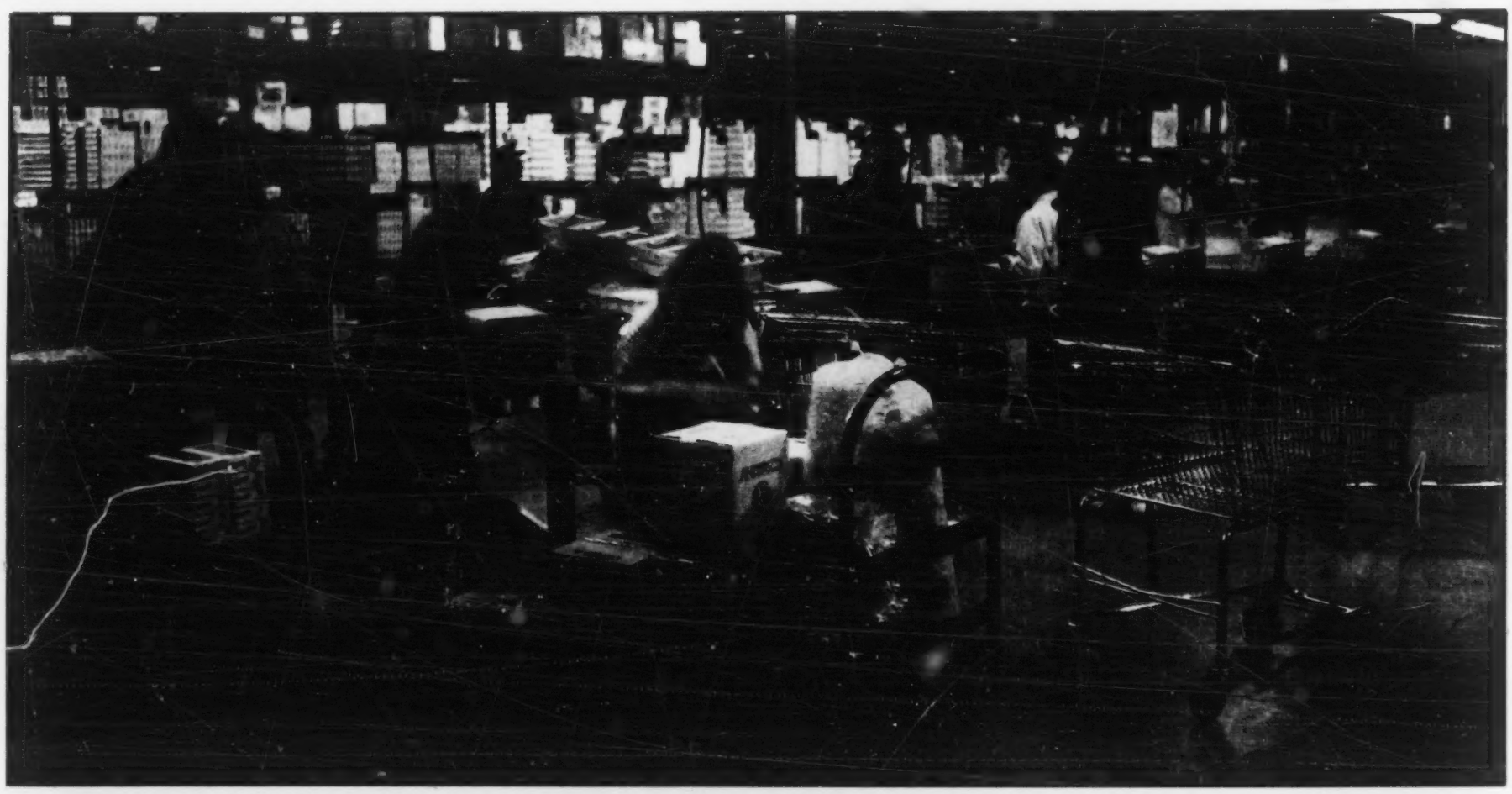
December		January		February	
Foods	Index Ranking	Foods	Index Ranking	Foods	Index Ranking
Canned cranberries	391	Dates	259	Packaged nonchocolates	215
Novelty candies	322	Maraschino cherries	252	Packaged jellies	207
Baking nuts	267	Cake decorations	239	Packaged solid chocolates	201
Dates	261	Coconut	210	Tartar sauce	171
Canned onions	248	Corn syrup	206	Packaged other chocolates	164
Packaged chocolate covered fruits	242	Molasses	202	Canned salmon	146
Canned potatoes	221	Baking extracts	199	Diet desserts	140
Corn syrup	218	Cream of tartar	191	Canned pie filling	137
Pie crust mix	215	Canned meats	191	Packaged novelty items	136
Brown sugar	205	Confectioner's sugar	181	Canned cherries	134
Stuffing mixes	202	Baking nuts	180	Diet canned fruits	131
Chocolate creams	201	Cake flour	180	Dry frosting mix single layer	130
Solid chocolate pieces	200	Brown sugar	173	Chocolate covered creams	130
Marashino cherries	198	Marshmallows	166	Oriental foods	129
Dry yeast	191	Ripe olives	162	Hot cereals	127
Canned pie filling	186	Spanish olives	161	Double layer frosting mix	126
Coconut	185	Chili sauce	160	Bouillon	126
Sterilized milk	183	Canned onions	158	Canned apricots	124
Baking chocolate	182	Cider	157	Canned spinach	123
Packaged hard candies	180	Canned dry beef	151	Canned mixed vegetables	123
Croutons	179	Canned sauerkraut	147	Dried prunes	122
Confectioner's sugar	176	Canned cherries	145	Dehydrated soups	122
Ripe olives	174	Cocktail mixes	146	Milk modifiers	121
Cider	167	Canned shrimp	142	Canned pears	121
Molasses	165	Dried apricots	141	Canned tomatoes	121
Spanish olives	162			Honey	120
				Canned soup	120
Nonfoods		**Nonfoods**		**Nonfoods**	
Heatable bags & wraps	292	Fireplace logs/bricks	325	Rock salt	169
Fireplace logs/bricks	251	Rock salt	297	Fireplace logs/bricks	114
Rock salt	176	Flash bulbs	211	Facial tissues	114
Disposable containers	170	Batteries	153	Bath additives	114
Coffee makers	153	Heatable bags/wraps	148	Light bulbs	112
Rodenticides	144	Disposable containers	143	Shoe polish	110
Flash bulbs	135	Waxed paper	143		
Batteries	132	Coffee makers	129		
Oven cleaners	126	Plastic flatware	119		
Aluminum foil	126	Poly wrap	113		

Source: SAMI Seasonality Study

F.M. SPECIAL REPORT

Membership Club 1989 Sales May Soar 29% to $18 billion

Growth is coming from both new stores and sales increases in existing stores. Top four companies now generate 80% of all sales.



Shoppers in The Wholesale Club often buy pallets of groceries at any given time. Often they resell the product.

The top ten chains in the membership warehouse club industry altogether generated close to $13.7 billion in sales last year, the equivalent of about 96% of total membership club sales. Sales this year are expected to increase another 29% to $18 billion.

In 1988, the trend to consolidation within this industry accelerated, and the year ended with the top four companies controlling about 80% of all sales.

Most of the new stores opened in 1988 were owned by the top four chains. Together, these giants accounted for 81% of all new store openings, according to *FM's* sister publication, *Discount Store News*.

In 1989, *DSN* is estimating that at least 70 more warehouse clubs will open and the top four will be responsible for at least 50 of those stores, or about 71% of all new store openings.

Membership Warehouse Clubs: Sales and Unit Growth

Year	Sales (billions)	Units
1984	$ 2.4	79
1985	4.5	137
1986	8.2	228
1987	10.7	325
1988	14.2	352
1989	18.0	420

Source: Discount Store News

Wholesale or membership warehouse club stores are extremely expensive to open, and must generate millions of dollars in sales before they can break even.

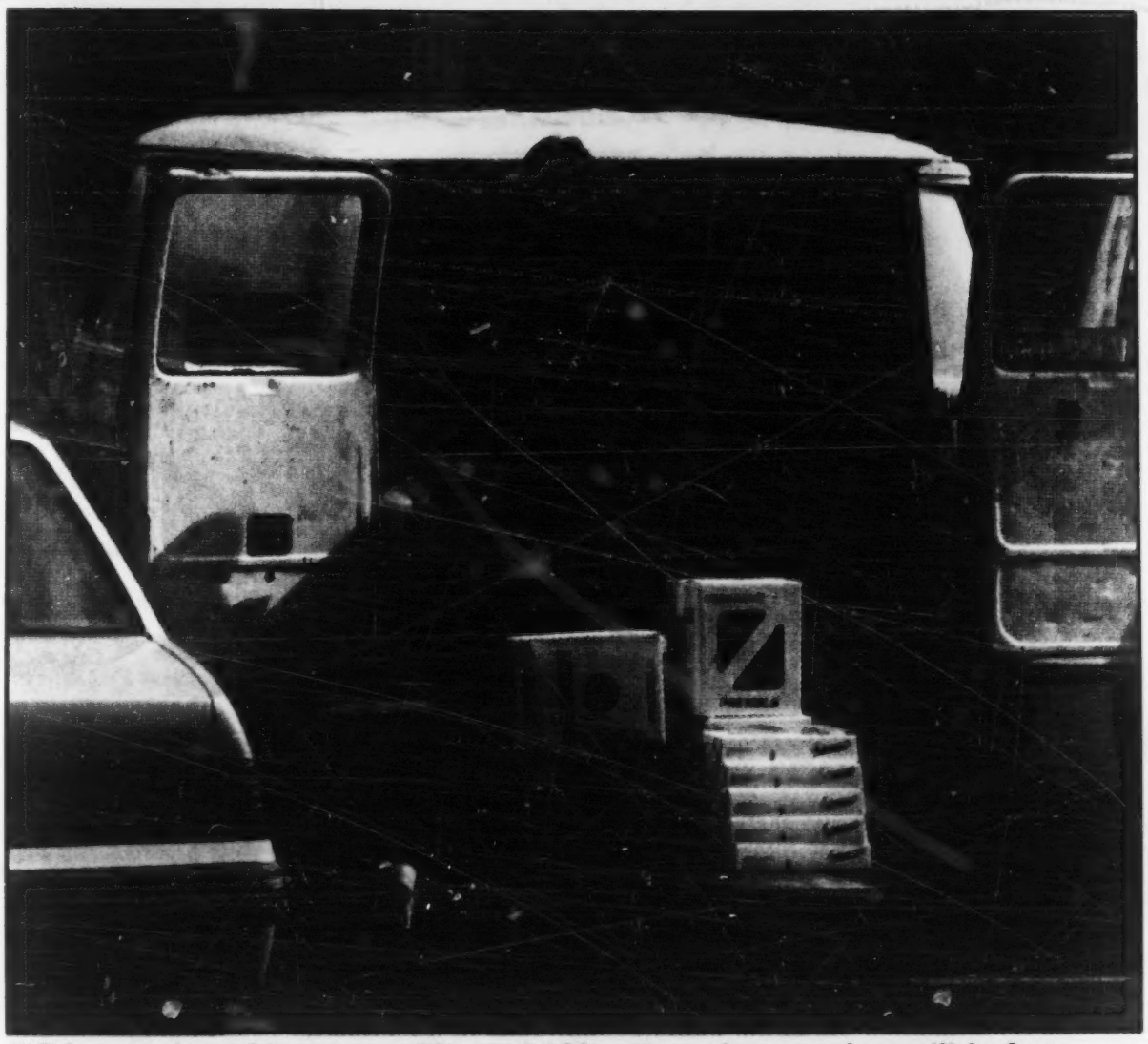
Consequently, the older chains like Price Club, which pioneered the industry back in the early 70's, are in the best position to expand, especially since they have the sales and stores in place to affect additional economies of scale with each new opening.

Sam's, the industry's second largest chain in terms of dollar volume, also has the considerable resources of parent Wal-Mart behind it, and wih 105 stores in place at the end of 1988, Wal-Mart has proven itself the most aggressive as well as the most successful at opening new stores. Management says they will open an additional 22 stores by the end of this year.

The trend is to stay efficient

In 1988, most of the operational changes in this industry were minimal. Company executives continue to fine tune their mix to weed out slow turners, and to expand the assortment of basic merchandise that would appeal to the broadest possible base of consumers.

Office supply warehouse stores,



With margins of between 7% and 10%, groceries turn incredibly fast.

Who's Who In Membership Warehouse Clubs
(Top 10 chains by dollar volume: millions)

Chain/Company HQ	1988 sales	% chng	1988 units	% chng
1. Price Club, San Diego	$4,053	25.2%	41	11%
2. Sam's Wholesale Club, Bentonville, Ark.	3.900E	44	105	25
3. Costco, Seattle, Wash.	1,989	45	50	16
4. Pace, Aurora, Ca.	1,285E	37	39	22
5. BJ's Wholesale Club, Natick, Mass.	800E	38	22	16
6. Price Savers, Salt Lake City, Utah	550E	83	13	13
7. The Wholesale Club, Indianapolis, Ind.	402	48	18	20
8. Makro, Cincinnati, Oh.	375E	25	6	50
9. Warehouse Club, Niles, Ill.	249.1	9	12	0
10. Buyer's Club, Englewood, Colo.	100E	0	4	0

Source: Discount Store News

however, did emerge as a major sub segment of this industry, and some sources say that in time they could start to cannibalize membership warehouse club sales.

However, office supplies only account for between 5% and 7% of all warehouse club store sales, according to *DSN*. Many executives say they can maintain this mix because they can offer customers more convenience, broader assortments and more accessible stores. They also feel that they can remain highly price-competitive.

Once again this year, the profile of a typical membership warehouse club store remains unchanged. Basically the mix in these stores includes a wide variety of edible and general merchandise products, ranging from select assortments of frozen food and packaged groceries to clothing, electronic goods, cleaning supplies, automotives, and more.

The customer base is still primarily small business, professional groups, churches and non-profit organizations, plus off-the-street customers who can qualify for membership.

Some units like a Price Club can do close to a billion a year in sales while others average $25 to $30 million a year. Mark-ups are also low enough to keep margins under 10% overall and the average inventory per store seldom exceeds 4,000 sku's.

What's ahead for 1989 and beyond

The outlook for the industry is still bright. Most security analysts who follow this fast growing industry expect sales and store increases to continue to soar.

Expansion is usually a matter of clustering stores in carefully selected metropolitan areas.

With the possible exception of Sam's, and even this is highly debatable, most companies in this industry regard long term success as a function of store level sales and market dominance rather than geographic expansion for the mere sake of geographic expansion.

Groceries: key product category

Groceries play a key role in all membership warehouse club sales. In these stores, they are not a mere traffic builder or a simple convenience commodity item.

They are integral parts of the merchandise mix, selling strongly to small restaurant operators, Mom and Pop grocery store operators, offices and clinics as well as to the general public.

They are usually merchandised close to the front of the store and off to the side, sometimes accounting for 30% and 50% of total floor space.

Generally, they are purchased on deal directly from the manufacturer. To be merchandised, they are often shrink-wrapped and/or stacked out on pallets. Most customers buy either in case or multiple-quantities.

In 1989, *FM* is estimating that groceries will increase another 20% to about $8.6 billion in this trade class. At that point, they will account for about 51% of all membership warehouse club sales.

Hosiery

BEAUTY TRENDS

Chains investing dollars, time, and space in hosiery market

Continued from page 31

stant redeemable $1.00 coupons placed on packages of Sheer Indulgence proved to be successful. "Our repurchase numbers increased since this promotion went into effect," he said.

Perry's Nyberg is confident that "once women try Sheer Indulgence, they buy them," even though the line carries a slightly higher ticket.

Peoples will roll out two new hosiery programs this fall, said Mary St. Ledger, fashion/hair accessories buyer.

St. Ledger said the Virginia-based chain decided to redo its private label hosiery packaging after customers complained they couldn't see the goods in the pouch package it formerly used. "Now, People's hosiery is packaged in a half-sized board with two die-cuts so women can see the hosiery colors," St. Ledger said.

Peoples is also introducing a private label fashion line called Rialto, which proved successful at Shoppers Drug Mart in Canada.

The Rialto line, a four-foot program, includes fashionable ultrasheers and opaques.

With the addition of these two lines, Peoples decided to delete the Underalls line from its 16- to 20-foot hosiery section.

At the nine-store Austin drug chain, with stores in affluent parts of Long Island, N.Y., buyer Kathleen O'Sullivan said it will be adding the Berkshire line in September. "This department store line will offer better prints and more fashionable shades," she said, and is sure to appeal to Austin's upscale female shoppers. The line will carry price points as high as $8.50.

C'Sullivan said Austin will also start to merchandise Sheer Indulgence this fall, because "it's a distinct line that our competitors are offering." Austin this year also decided to utilize the Hosiery Center, a fixturing concept developed by L'eggs. O'Sullivan said "it will make the whole hosiery department look more uniform." Austin currently merchandises hosiery adjacent to the cosmetics department. The Hosiery Center will also be installed in this area because "we feel women automatically go to cosmetics when they are looking for hosiery," O'Sullivan said.

Even though drug chains are broadening their assortment of pantyhose offerings, brands like No Nonsense and L'eggs continue to increase sales when they are effectively promoted, buyers reported *(See Vereen chart)*.

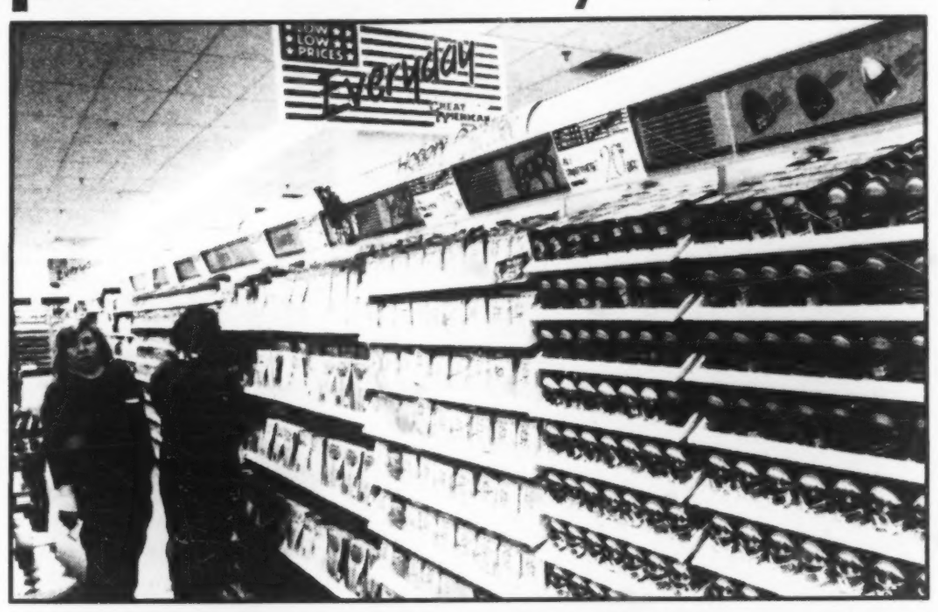
At Bill's Drugs, the 24-store chain based in Benecia, Calif., Liz Spera, H&BAs buyer, said hosiery sales have increased since last year. She attributes this to aggressive combined promoting of Bill's private label line (introduced in June 1988) and L'eggs.

"We'll advertise a L'eggs product and a private label hosiery product every week in our ads," she said, adding that the chain constantly promotes private label with sales of "buy two private label pairs and get a third free" or banding a free pair of Bill's knee highs to Bill's control top style.

Bill's often merchandises on-ad hosiery items on endcaps or floor displays adjacent to its 12- to 16-foot hosiery section.

Spera regularly visits the stores and asks women about their hosiery shopping habits. Most purchases are planned, she said, but if women buy advertised hosiery merchandised on floor displays, they'll be drawn into the aisle to pick up additional pairs, such as the private label hosiery that offers free knee highs.

Austin promotes hosiery in every other sales circular, about 12 times a year. "Two-for-one deals, like running two pairs of L'eggs for $1.99, increases sales, as does advertising special floor displays," O'Sullivan said.



Deep discounters, such as Great American, display hosiery at sharp prices to denote value to core female shoppers.

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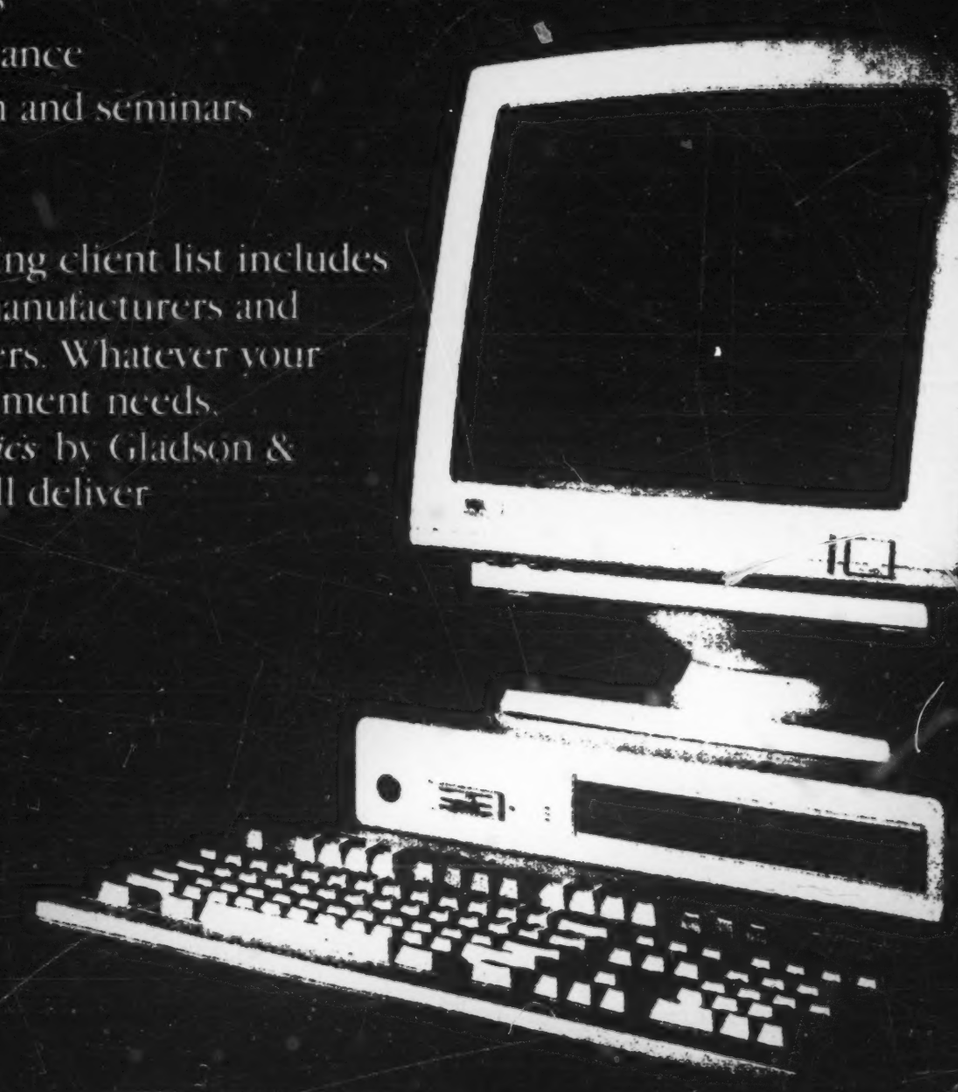

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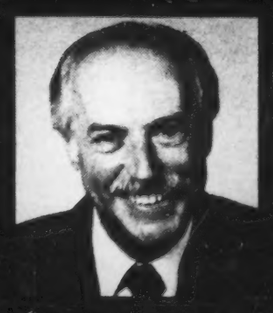

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Buyers sweeten candy sales with more space, variety

1988 candy market share by retail outlet

Supermarkets	34.0%
Drug stores	15.5
Discount stores	13.0
Convenience stores	10.5
Mom and pop outlets	9.5
Vending machines	6.0
Better department stores	3.3
Warehouse clubs	2.2
Misc.	6.3

Source: The Confectioner Magazine, Orlando, Fla.

Buyers who crave the high-impulse, fast-turn performance of candy are adding category space, advertising more confectionery items every week, and utilizing new presentations for candy and gum.

They recognize candy's high consumability, traffic building potential, and broad consumer appeal. And, they are carrying out plans to promote candy more aggressively.

Indeed, a recent Lebhar-Friedman survey showed that 15 percent of chain drug buyers plan to advertise more candy in 1989 than last year.

Overall plans at Lawton's Drug Stores in Nova Scotia have category merchandiser Brian Hayes anticipating an increase in candy sales after adding 15 percent more space to its candy section, which now takes up 30 to 40 feet at the 75-store chain.

Hayes said the expansion, scheduled to be introduced to stores by the fall season, will add more variety to the category. Quick Chek Food and Pharmacy, a 93-store convenience and pharmacy chain based in New Jersey,is also expanding its candy section, by using the M&M/Mars Spaceman computer software planogram system. "The display decreases our number of SKUs, but allows additional facings of top movers," said buyer-merchandiser Laurie Flood.

She said the new display will make the category look more appealing. "Sales for candy haven't been growing at Quick Chek for the past few years, but with the new planogram, we expect a minimum 5 percent increase in our candy sales next year," Flood said.

Right now, Quick Chek devotes 12 to 15 feet to count candy, and another 15 to 19 feet to high-end boxed candy and bagged items. The chain sells Whitman's boxed candy and will soon sell Russell Stover, to greater maximize candy's cross-merchandising and gift-giving possibilities.

Ad strategy change

Quick Chek changed its ad strategy last month, and now is advertising three to five candy items each month in its circulars. Previously, the chain advertised candy every quarter in its monthly ads. Most recently, for a Mother's Day promotion, the chain gave away a free Mother's Day card with each box of a Whitman's Sampler sold.

Snyder's Drug Stores in Minnetonka, Minn., reports a slight increase in candy sales over last year's figures. Buyer Rick Burns said they've changed their advertising strategy slightly to emphasize candy more. "We advertise hotter prices more often in our weekly ads," he said, "and we run five or six items in ads a week." Snyder's previously ran three or four candies a week.

Burns said the king-size category of count bars is growing slightly at Snyder's, but this category is not cannibalizing the standard-size bars.

Whitney Hill, trade relations director for M&M/Mars, said the king-size bar category is increasing, up 11 percent over last year. Flood at Quick Chek noticed in some cases, king-size bars are selling better than regular bars, because the price difference between the larger bars and the standard bars has narrowed.

New merchandising

In Michigan, Perry Drugs has changed to basket configurations in the candy department, from the traditional shelf merchandising program. Buyer Larry Thompson said 100 of Perry's 220 stores now utilize this display, which was unveiled about 18 months ago. Eventually all stores will merchandise candy this way.

Occasionally, Perry will run coupons for candy items, but most often the chain will run candy on sale prices at least every week in its weekly circulars. Thompson also said Perry adopted a new everyday multiple pricing strategy of two for 78 cents for all single count regular-sized bars. This price may be reduced even more when they run on ad, depending on the cost of the bars, Thompson said.

Buyers reported that M&M/Mars' Bounty Bar, a coconut bar encased in light or dark chocolate, is doing well. Hershey's Symphony bar, which is being test marketed now, is another new candy entry that buyers said is enjoying popularity. Carl Andrews, public information manager for Hershey Corp., said the bar comes in two flavors. "The milk chocolate bar has more milk added to it to give it a European taste," he said, "and the other is a milk chocolate bar with almonds and toffee chips."

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Greeting Cards TRENDS

Drug chains experiment to improve greeting card dept. layout, promos, assortment

Chain drug retailers, fully aware that greeting cards are a favored communication, experiment regularly to improve department layout, promotions, in-store location and assortments.

A steady flow of new products continues to drive 7-percent annual greeting card industry sales growth in the U.S. Many drug chains often better that mark, given their strong relations with such key vendors as Hallmark/Ambassador, American Greetings and Gibson Greetings. They work together to develop better fixturing and improve store-level services.

This activity pays off, as shown in *Drug Store News's* 1989 General Merchandise Survey. Retailers nationwide ranked greeting cards first in sales growth, margins, gross profit and vendor support, topping such categories as photofinishing and school supplies.

Merchants regard greeting cards as a core drug store business. One example is Perry Drug Stores, where the department is being given additional emphasis in its latest store prototype. As "an extremely powerful department" with "a lot of potential growth long-term," cards will get two to two-and-half times the linear exposure, says David Green, group vp-marketing and merchandising at Perry.

Perry has already expanded footage of its American Greeting's assortment to 140-160 feet in 50 stores. But it has bigger plans to compete against Detroit-area card shops, which have approximately 48 percent of market share. The chain plans to develop and move to the central front area of many stores a new card department, using American Greetings signage and lighting that is due from the vendor this summer. The fixtures are higher, up to 68 inches, which increases assortment within the same same footage, and sport new graphics.

The system also includes a section (with adjustable-width card pockets) to give alternative cards a family appearance and increase exposure.

By contrast, Peoples Drugs is moving its cards from the front door to the back of the store where it will be adjacent to cosmetics, gifts and school supplies, and serve as a lead-in to pharmacy. Footage will be reduced from 120 feet to 100 feet, Bernie Heyman, vp-purchasing at the chain, told *Drug Store News*.

Peoples, he explained, wants to reserve the front-of-store locale for more "core" drug and health-related categories such as dental and shampoo.

The new location will use Gibson's "power panels," which reduce the clutter of floorstands for seasonal promotions.

In South Florida, Corner Drug is awaiting American Greetings' new fixtures to support an aggressive card program, founder Stanley Cohen told *Drug Store News*. Corner's five stores are in predominantly retiree areas such as North Miami Beach, Coconut Creek, and Boca Raton.

Greeting cards, 'an extremely powerful department' with 'a lot of potential' will double their linear exposure at Perry.

Cohen discounts American Greeting cards 40 percent, and mentions this in the chain's weekly newspaper ads. Corner Drug also carries a discount line in two of its stores—Love Greeting Cards, which is 50-percent off. Two new stores scheduled to open in the next three months will carry American Greetings, Cohen said.

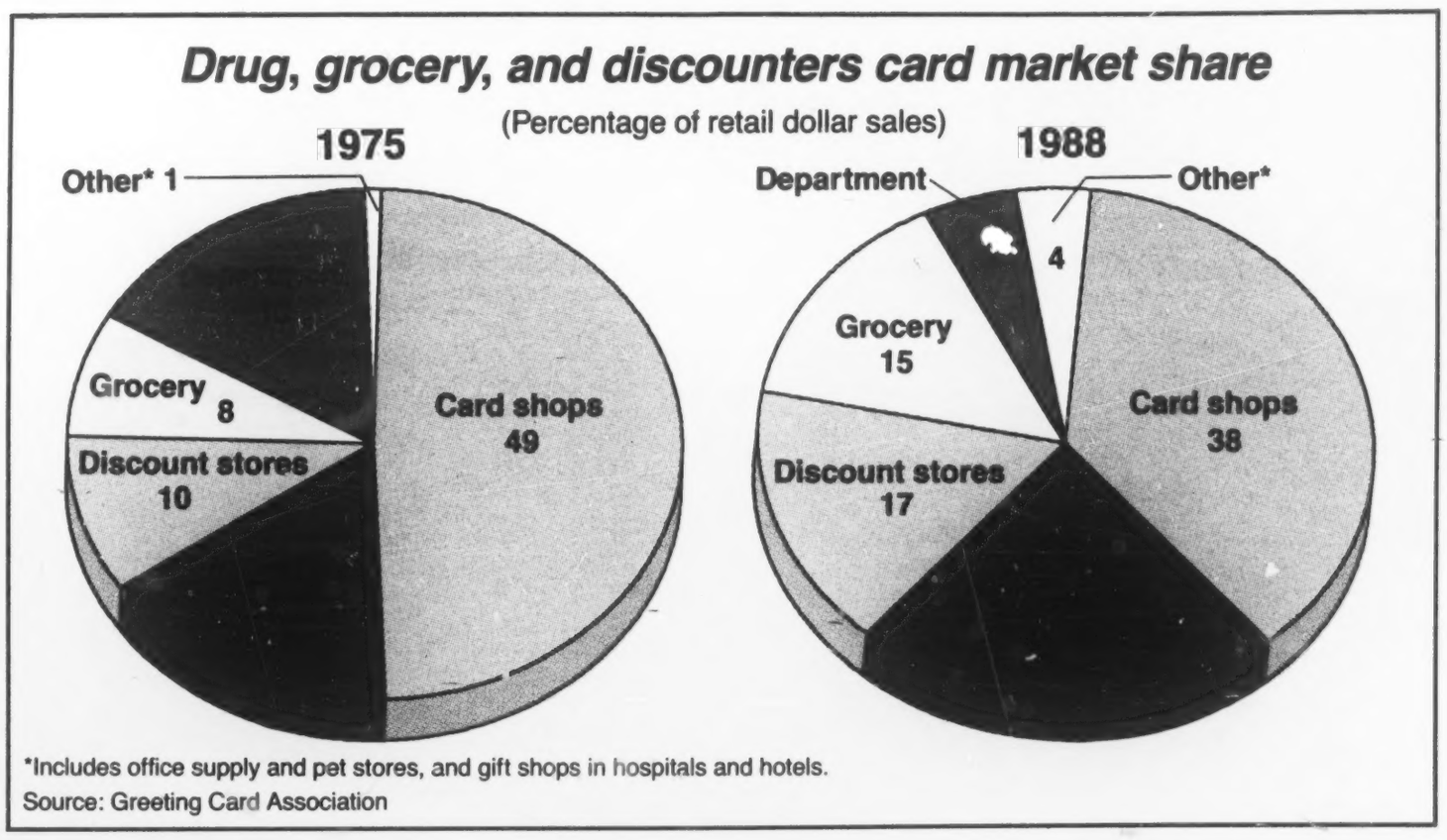
In Seattle, Bartell Drug is expanding cards and upgrading. "We're devoting more space, and exploring alternative card lines," said buyer John Weith.

Weith is adding Recycled Paper Products and Far Side alternative card lines to its core displays of Ambassador and American. The chain has also replaced Ambassador and American lines with Hallmark assortments in three stores, where they felt the local market would support the change.

Later this year, Ambassador customers will receive "Power Graphics," a new display concept for merchandising promotional cards at non-seasonal times. "Power Graphics" bunches cards in pockets, creating room on the fixture for background graphics related to the specific lines.

In Iowa, the 20-store Drug Town chain has moved cards recently from an alcove to a high-traffic aisle. Ambassador, American and Recycled Paper Products make up its assortment.

Drug Town promotes cards in about half of its 15 to 20 annual circulars, and about once a month in ROP, with occasional "buy-three-get-one-free" and free 25-cent stamp offers, said John Susich, assistant vp at Hy-Vee, the chain's owner.



Chain experimentation is high with greeting cards, a core department that generally gets upfront display to capture impulse sales.

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DRUG STORE NEWS®

INSIDE PHARMACY
PHARMACIST EDITION

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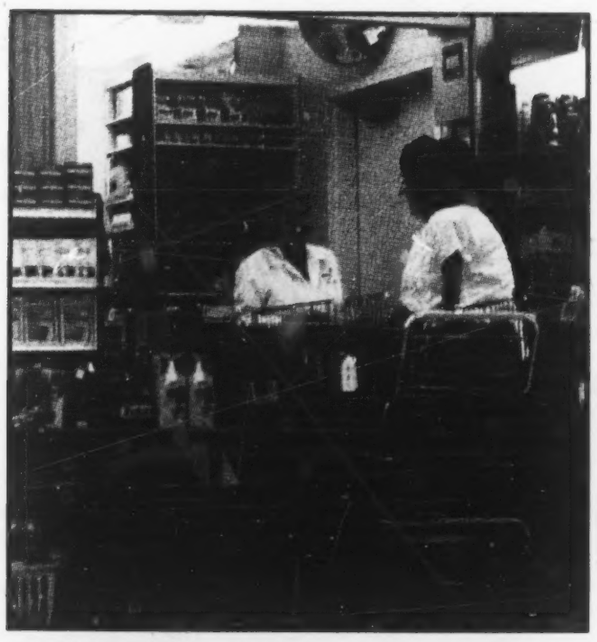
IP1

Discount stores, combos squeezing chain drug units

By James Frederick

In case anyone hasn't noticed, food/drug combo stores and discounters are becoming a big force in retail pharmacy. The biggest impact has come from aggressive discounters like Wal-Mart and from large-scale, one-stop combo stores, which have become the preferred expansion vehicle for many of the nation's leading food chains.

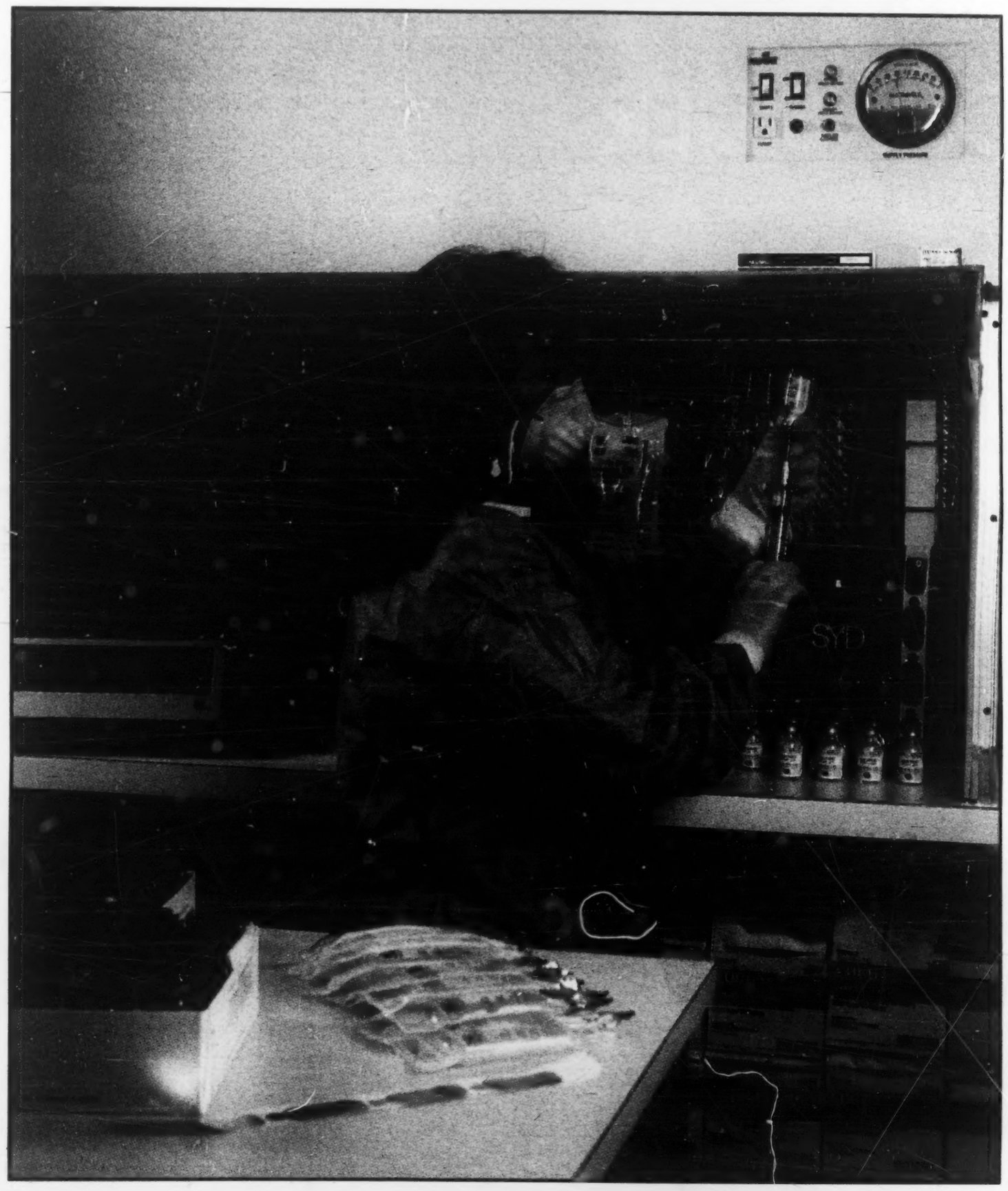


ABCO in Phoenix knows the value of Rx departments.

According to a recent study by Towne-Oller Associates, a research firm, the nation's 3,700 combos gobbled up 13 percent of the retail pharmacy market last year and averaged $550,000 in per-store prescription sales.

Clearly, supermarket chains have learned to sell prescription drugs and H&BAs. Towne-Oller

Cont. on p. IP16



Pharmacy in forefront of Lyme Disease war

By Elizabeth Richardson

At first Debra McAteer thought she had the flu. So did her doctors. But after endless visits with no relief, Ms. McAteer (a fictitious name) began to doubt the doctors—and herself. What she had was very real to her, but seemed very unreal in terms of an actual diagnosis. Some people accused her of being a hypochondriac. The fact was, she had Lyme Disease.

Lyme Disease. The very words that were foreign to many just years ago, are now the reason for the debilitating health problems which have plagued many of its victims for years.

The disease, which is carried by an infected deer tick, is located on ev-

– *Continued on page IP11*

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Fire razes Fla. pharmacy but fails to dampen pharmacist's spirit—in three days, he's back in business. **26**

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DRUG STORE NEWS® INSIDE PHARMACY PHARMACIST EDITION

Discount stores, combos squeezing drug units

Continued from page IP1

rated combos the fastest-growing segment of the retail-pharmacy business, with dollar volume at the combo store Rx counter up 28 percent in 1988 and unit sales up 19 percent.

"The food industry has become very aggressive in promoting pharmacy," noted a Towne-Oller executive at the Food Marketing Institute's recent conference on supermarket pharmacy.

Indeed. Chains like Kroger, Albertson's, Skaggs-Alpha Beta, Raley's and Giant Food rarely open a store without a pharmacy these days, and most are large enough to accommodate full-blown drug store sections with a selection of H&BAs, cosmetics, greeting cards and OTCs that would rival those in most drug stores. The reason is simple enough: prescription drugs, H&BAs and general merchandise can generate a third or more of a supermarket's gross profit dollars with less than 10 percent of the sales total, and draw additional traffic as well.

'We no longer consider a store complete without a pharmacy,' added another supermarket executive.

"It is important that [our] company move in the direction of larger units to be able to present the store formats that the customer of today and tomorrow demands," noted Alan Stewart, American Stores president, recently. "[We] continue to replace smaller, outmoded stores with superstores and combination units with several service departments responding to the consumer's need for service, variety and convenience."

"We no longer consider a store complete without a pharmacy," added another supermarket executive.

Eugene Bannon, director of sales for McKesson Drug Co., summed up the situation at the Food Marketing Institute's annual convention in May. "Supermarkets until recent years were content to stay within the confines of their defined food and grocery categories, but today they are aggressively pursuing the prescription business in an effort to enhance their image as a one-stop shopping location," he said. "The vision of men like Joe Albertson and Sam Skaggs, who together pioneered the combo concept, is having a major impact on today's activity as drug chains and supermarkets target each other's product categories and customer bases."

For this reason, Bannon added, "Many food chain operators are no longer willing to share choice new locations" with drug stores.

The same is becoming increasingly true for discount stores, as well. K mart chairman Joe Antonini has reaffirmed that company's commitment to in-store pharmacies, and Wal-Mart's aggressive expansion—often with stores that include pharmacies—has had a big impact on the local drug store competition in many smaller cities and towns.

"I'm more concerned now with Wal-Mart than I am with the other drug chains," said one drug retailer in the South.

"Kroger and Cub Foods are having a big impact in this market," added an Atlanta-based wholesaler of H&BAs.

Just how much combos and discounters will alter pharmacy's retail landscape remains to be seen, but the blurring of trade class lines has already occurred. Meanwhile, both independent druggists and drug chains are finding that the best way to survive the new onslaught is to concentrate on their traditional strengths as convenient health- and beauty-care specialists.

Noting the increasing threat of combo stores, discount stores and warehouse clubs, Arbor Drugs chairman Eugene Applebaum recently stated, "In response to this competition, it was commonplace for many other chain drug store operators to experiment with nonrelated merchandise categories, thereby lowering their emphasis on the goods and services customers have come to expect in a conventional drug store. Arbor has never strayed off course or deviated from the scope of basic drug store assortments, recognizing that, in addition to pharmacy, convenience is a drug store's competitive edge."

Mass merchandisers with pharmacies

Company	Headquarters	Stores	No. of Rx depts.
K mart	Troy, Mich.	2,155	1,093
Wal-Mart	Bentonville, Ark.	1,307	833
Fred Meyer	Portland, Ore.	112	95
ShopKo	Green Bay, Wis.	87	84
Pamida	Omaha, Neb.	168	35
Harts	Columbus	31	28
Target	Minneapolis	379	21
Venture	St. Ann, Mo.	73	12
Fedco	Santa Fe Springs, Calif.	9	9

Source: *Drug Store News* Chain Drug Survey

The Top 50 supermarket chains with pharmacies

Chain	Headquarters	Total stores	Store with Rx departments
1. Kroger	Cincinnati	989	473
2. Safeway	Oakland, Calif.	1,131	300
3. Albertson's	Boise, Idaho	501	224[1]
4. Jewel Food Stores/Osco[2]	Melrose Park, Ill.	222	137
5. Supermarkets General	Woodbridge, N.J.	142	131
6. H.E. Butt	Corpus Christi, Texas	155	107
7. Giant Food	Landover, Md.	147	96
8. Smith's Management	Salt Lake City	93	88
9. Skaggs Alpha Beta[2]	Richardson, Texas	87	87
10. Wakefern/Shop Rite	Elizabeth, N.J.	174	84
11. Von's	El Monte, Calif.	342	82[3]
12. Lucky Stores	Dublin, Calif.	348	78
13. A&P	Montvale, N.J.	1,250	75[4]
14. King Soopers[5]	Denver, Colo.	66	66
15. Safeway Stores of Houston	Houston	101	66
16. Furr's	Lubbock, Texas	144	64
17. Raley's	Sacramento, Calif.	56	55
18. Buttrey Food-Drug[2]	Great Falls, Mont.	53	53
19. Kash 'n Karry	Tampa, Fla.	116	46
20. Giant Eagle	Pittsburgh	106	45
21. Tom Thumb/Page	Dallas	73	43
22. Grand Union	Elmwood Park, N.J.	304	37
23. Farm Fresh	Norfolk, Va.	59	36
24. Randall's	Houston	39	35
25. Schnuck's	St. Louis, Mo.	57	34
26. Dillon's[5]	Hutchinson, Kansas	61	33
27. Wegman's	Rochester, N.Y.	40	32
28. Stop & Shop	Quincy, Mass.	116	30
29. National Supermarkets/ Kare Pharmacy	St. Louis, Mo	58	30
30. Minyard Foods	Coppell, Texas	73	24[6]
31. Smitty's	Phoenix, Ariz.	24	24
32. Consumers Markets	Springfield, Mo.	37	23
33. Publix	Lakeland, Fla.	364	21
34. Hannaford Bros.	Scarborough, Me.	72	17
35. Super Valu	Minneapolis	71	17
36. Bruno's	Birmingham, Ala.	220	16
37. Dominick's Finer Foods	Northlake, Ill.	90	15
38. Erickson Food & Valu Drug	Hudson, Wis.	14	14
39. Dahl's Food Markets	Des Moines, Iowa	13	13
40. Carr's Quality Center	Anchorage, Alaska	13	13
41. Dillon's of Missouri	Springfield, Mo.	21	13
42. ABCO Markets	Phoenix, Ariz.	76	12
43. Big Bear	Columbus	67	12
44. Foodway	Fayette, Ala.	32	10
45. Alpha Beta Co.[2]	La Habra, Calif.	212	9
46. Carl's Food & Drug Centers	Cleveland, Ohio	9	9
47. Dierbergs Markets	Chesterfield, Mo.	12	7
48. Acme Markets[2]	Malvern, Pa.	295	6
49. Star Market[2]	Cambridge, Mass.	43	4
50. Randall Foods	Mitchell, S.D.	27	4

1. Includes 121 true Albertson's combos and superstores with pharmacies.
2. Division of American Stores.
3. Includes 68 Vons Food & Drug Centers.
4. Includes Farmer Jack's in Michigan.
5. Division of Kroger Co.
6. Includes 13 Sack 'n Save warehouse stores with pharmacies.

Source: *Drug Store News* research.

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FINANCIAL

Fantle's pays $1.8M interest bill within its 30-day grace period

LANDOVER, Md. — Fantle's Drug Stores recently made a $1.8 million interest payment on its 12.7 percent bonds due in 2001.

Sheldon W. Fantle, chairman and ceo, explained, "We took advantage of the grace period given to us and we paid the interest that was due at the end of last month."

The chain deferred this interest payment, originally due on June 1, for 30 days. "We will continue our restructuring program with longer range notes, deferred interest notes that give us the opportunity to build our business up," Fantle said.

Holman Shidler, the investment corporation that entered into a sale/leaseback agreement with Fantle's Drug Stores last month, is still completing its due diligence regarding the agreement to purchase 51 Fantle's store leases. "We'll know in several weeks what their agreement will be," he said. The transaction is expected to close Aug. 14.

The chain hopes to net as much as $37 million after it sells its 51 leases, and then leases them back from the purchaser. The proceeds of the deal are intended to repay debt, remodel stores, and fuel new service and charity programs initiated in April of this year.

American's Eurobond issue gets a 'BBB-' rating from Fitch

NEW YORK — Fitch Investors Service has assigned the "BBB-" rating to the 9.75 percent Eurobond issue due in 1994 of American Stores Co. The issue has a principal amount of $100 million. Fitch said, "While acquisition financing was a primary factor in 1988's 36 percent earnings decline, American Stores' strong position in most of its major markets bodes well for the future and minimizes the possibility of significant earnings swings. Benefits of operating synergies from the planned consolidation of Lucky [Stores] and the company's Alpha Beta Stores subsidiary should bolster the earnings base as well, once the California Attorney General's antitrust litigation is settled."

Bergen Brunswig sales, earnings up in third qtr.

ORANGE, Calif. — Bergen Brunswig posted increases in sales and earnings from continuing operations for the third quarter and nine months ended May 31.

Net sales and other revenues for the third quarter rose 10.6 percent, to $987 million, from $893 million reported for the comparable period last year. The drug and health care operation accounted for $858 million of net sales, while consumer electronics (Commtron Corp.) garnered $129 million.

Earnings from continuing operations for the third quarter jumped 43 percent, to $13.5 million, or 55 cents per share on a fully diluted basis, from $9.4 million, or 46 cents per share, for the similar quarter a year ago.

For the nine months, net sales and other revenues were $2.93 billion, versus $2.59 billion for the similar period a year earlier. Earnings from continuing operations were $36.9 million, or $1.65 per share, compared with $25.1 million, or $1.24 per share, in the prior-year period. Aggregate net earnings for the period last year, including discontinued operations and a gain on disposition, were $27 million.

"Bergen Brunswig Drug Co. continues to show strong sales and earnings growth," said Emil P. Martini Jr., chairman and ceo. "In addition to sales growth and operating expense control, earnings benefited from working capital commitment to inventory investments, which was a factor in recording an overall higher gross profit rate during the current year periods."

Cardinal converts almost all of its $40 million debentures to equity

DUBLIN, Ohio — Cardinal Distribution, which announced its intention of redeeming all its outstanding 8¼ percent convertible subordinated debentures due 2010, completed the transaction with the entire $40 million converted from long-term debt to equity.

Substantially all the holders of debentures requested conversion, for a total of approximately $38 million. The $1.151 million remaining was handled through Cardinal's standby purchase agreement with Drexel Burnham Lambert.

The redemption price was $1,057.75 plus accrued interest of $37.81 for each $1,000 principal amount of debentures, for a total of $1,095.56 payable for each $1,000 principal amount.

Cardinal also posted a 32 percent rise in net sales and a 71 percent gain in net earnings from continuing operations for the fourth quarter ended March 31 over the prior-year period.

For the year, net sales rose 33 percent and net earnings from continuing operations were up 78 percent.

Fourth-quarter net sales were $198.2 million, compared with $149.9 million for the like period last year. Net earnings from continuing operations rose to $3 million, from $1.8 million for the fourth quarter from a year earlier.

Name	Symbol	STOCK PRICE From 06/23/89 - 07/10/89 High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.	Latest 12 Months vs Preceding 12 Months Change Pct.	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. Rate Amt.	Indicated Dvd. Rate Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	64.88	60.25	64.13	-1.00	-1.54	66.88	47.63	2.54	-1.54 q	-38.9	26.5	1.00	1.6
Arbor Drugs	ARBR	18.00	15.50	18.00	1.00	5.88	18.25	8.00	.70	-.03 n	-4.4	27.7	.16	.9
Big B	BIGB	13.63	13.13	13.63	.25	1.87	15.88	10.75	.91	-.22 q	-20.8	16.2	.16	1.2
Fay's Inc	FAY	13.25	11.88	12.13	.13	1.04	13.25	7.28	.66	.29 q	70.7	17.3	.18	1.5
Genovese Drug	GDX	11.63	10.63	10.75	-.63	-5.49	12.88	8.75	.83	.17 q	25.8	13.0	.24	2.2
Longs Drg Strs	LDG	42.25	40.25	42.00	.75	1.82	42.25	33.63	2.75	.35 q	14.2	14.9	.96	2.3
Medicare Glaser	MGCO	5.75	5.75	5.75	.00	.00	5.88	2.13	-.10	-.23 n	-100.0	NE	.00	.0
Medicine Shoppe	MSII	28.75	26.75	27.00	-1.38	-4.85	31.75	20.75	1.11	.30 s	31.6	21.6	.10	.4
Perry Drug	PDS	12.88	11.25	11.50	-.13	-1.08	13.50	5.25	-3.15	.20 s	NE	NE	.00	.0
Rite Aid Corp	RAD	37.50	34.88	37.13	-.38	-1.00	39.00	29.13	2.30	-.02 q	-.9	16.0	.82	2.2
Walgreen Co	WAG	45.25	41.50	44.63	.13	.28	45.25	27.13	2.10	.43 s	22.4	19.0	.68	1.5
Wholesaler's transactions														
Alco Health Svcs	AAHS	24.00	23.00	24.00	.75	3.23	30.25	22.75	1.55	-.11 q	-7.4	17.4	.06	.3
Bergen Bruns	BBCA	30.50	29.00	30.50	.50	1.67	30.63	18.75	1.78	.72 n	45.9	13.3	.32	1.0
Bindley Wstn	BIND	9.00	8.50	8.63	-.13	-1.43	9.88	6.63	.58	.22 q	68.8	16.0	.00	.0
Cardinal Distrb	CDIC	23.75	22.75	23.25	-.25	-1.06	24.25	15.69	1.58	.37 f	30.6	14.7	.08	.3
Durr Fillauer	DUFM	22.50	21.38	21.63	-.75	-3.35	23.13	13.25	.92	.09 q	9.7	21.2	.24	1.1
Ketchum	KCH	6.63	6.25	6.25	-.25	-3.85	10.38	4.75	-4.73	-1.44 q	NE	NE	.00	.0
McKesson Cp	MCK	35.38	33.13	34.38	-.63	-1.79	35.75	29.63	2.30	.07 f	3.1	14.9	1.44	4.2
Moore Med	MMD	12.88	12.13	12.63	-.13	-.98	15.63	9.00	-2.17	-4.00 q	-100.0	NE	.00	.0
Owens Minor	OMI	12.63	11.50	12.25	-.38	-2.97	15.88	11.38	1.00	-.07 q	-7.4	13.9	.26	2.1
Manufacturer's transactions														
Abbott Labs	ABT	60.00	57.63	59.38	1.38	2.37	61.13	43.50	3.33	.53 q	18.2	17.2	1.40	2.4
Am Home Prod	AHP	97.50	91.75	96.50	-.13	-.13	97.50	72.88	6.38	.66 q	11.2	14.7	3.90	4.0
Baxter Intl	BAX	21.88	20.50	21.25	-.50	-2.30	21.88	16.25	1.31	.15 q	12.6	15.9	.56	2.6
Block Drugs Co	BLOCA	35.25	34.50	34.75	.13	.36	36.00	28.00	2.55	.26 f	11.4	13.6	.64	1.8
Bolar Pharm	BLR	29.38	27.38	27.63	-1.50	-5.15	32.25	16.38	1.51	.45 q	41.3	17.9	.04	.1
Bristol-Myers	BMY	49.75	47.13	49.38	.13	.25	51.25	39.88	2.88	.38 q	14.7	16.6	2.00	4.1
Carter-Wallace	CAR	48.63	45.25	46.63	-1.13	-2.36	48.75	36.25	2.97	.47 f	18.8	15.7	.68	1.5
Forest Labs	FRX	32.00	30.50	31.00	-.50	-1.59	33.50	19.25	1.20	.24 f	25.0	25.8	.00	.0
ICN Pharm	ICN	6.50	6.13	6.25	-.13	-1.96	7.75	5.63	.23	1.54 s	NE	69.4	.00	.0
Lee Pharm	LPH	4.25	3.63	3.75	-.50	-11.76	5.75	3.63	-.23	.49 s	NE	NE	.00	.0
Leiner P Nutri	PLI	19.13	18.25	18.75	-.25	-1.32	20.88	9.13	1.12	.26 f	30.2	16.7	.00	.0
Lilly Eli Co	LLY	57.75	53.50	57.63	.13	.22	58.50	40.19	2.67	.53 q	22.8	20.2	1.35	2.3
Marion Labs	MKC	26.00	23.13	24.63	-1.13	-4.37	28.25	16.38	.96	.39 n	44.3	19.4	.36	1.5
Merck & Co	MRK	71.00	66.38	70.38	.50	.72	72.88	53.50	3.05	.80 q	33.1	21.9	1.64	2.3
Mylan Labs	MYL	10.63	9.88	10.13	-.38	-3.57	11.88	7.50	.50	-.20 f	-28.6	20.3	.10	1.0
Newport Pharm	NWPH	4.44	3.94	4.44	.44	10.94	6.56	1.75	-.45	-.42 q	NC	NE	.00	.0
Par Pharm	PRX	9.88	9.13	9.75	.25	2.63	15.25	7.88	.99	-.21 s	-18.9	10.8	.04	.4
Pfizer Inc	PFE	59.38	56.38	59.00	.00	.00	64.25	49.63	4.70	.56 q	13.1	12.2	2.20	3.7
Robins, AH	QRAH	30.50	29.00	30.00	-.50	-1.64	30.75	21.88	2.42	67.78 q	NE	11.9	.00	.0
Rorer Group	ROR	37.88	36.13	37.50	1.00	2.74	48.25	33.63	1.96	-.55 q	-21.6	18.8	.80	2.1
Scherer RP Cp	SCHC	15.50	14.88	15.38	-.38	-2.38	33.38	14.75	.76	-.28 f	-26.9	20.2	.40	2.6
Scher Plough	SGP	69.00	65.25	67.75	.25	.37	69.50	49.50	3.48	.77 q	26.4	18.4	1.80	2.7
Squibb Corp	SQB	80.25	74.75	79.25	-.50	-.63	83.50	60.00	4.30	.85 q	23.3	17.6	2.00	2.5
Syntex Corp	SYN	51.25	46.50	48.75	-2.13	-4.18	54.50	35.00	2.51	.37 n	15.4	17.5	1.50	3.1
Upjohn Co	UPJ	31.88	29.38	30.88	-.88	-2.76	34.50	27.00	1.90	.24 q	14.0	15.8	.88	2.9
Warner-Lambrt	WLA	97.75	87.50	95.50	4.50	4.95	97.75	64.50	5.00	.92 q	21.1	18.1	2.56	2.7
Zenith Labs	ZEN	1.75	1.13	1.25	-.50	-28.57	2.75	1.13	-.89	-.33 f	NE	NE	.00	.0
Other Retailer transactions														
Albertson's Inc	ABS	49.50	46.50	48.63	-.13	-.26	49.50	30.00	2.44	.60 q	30.5	18.9	.80	1.6
K mart Cp	KM	37.88	35.75	37.75	1.50	4.14	40.38	31.25	4.00	.44 q	12.8	9.8	1.64	4.3
Melville Cp	MES	45.88	43.50	45.63	2.25	5.19	46.88	32.00	1.63	-1.12 q	-40.6	27.8	1.30	2.8
Penney, JC	JCP	57.88	54.88	57.25	-.63	-1.08	60.13	44.88	6.02	1.87 q	45.0	9.5	2.24	3.9

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.
q - First quarter
s - First six months
n - First nine months
f - Fiscal year

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